

Department of Economic Development FY11 Performance Review

Steve Silverman, Director
16 March 2012

CountyStat Principles

- **Require Data-Driven Performance**
- **Promote Strategic Governance**
- **Increase Government Transparency**
- **Foster a Culture of Accountability**



Agenda

- **Welcome and Introductions**
- **Current Economic State**
 - Economic Indicators
 - Regional Comparisons
- **Review Departmental Performance**
 - Current Headline Measures
 - Future Headline Measures
- **Wrap-Up and Follow-Up**



Meeting Goals

■ Meeting Goals:

- Identify areas of DED operations that based on performance trend lines should be targets for further improvement
- Determine if economic indicators are indicative of issues impacting Montgomery County or are the influence of regional and national trends

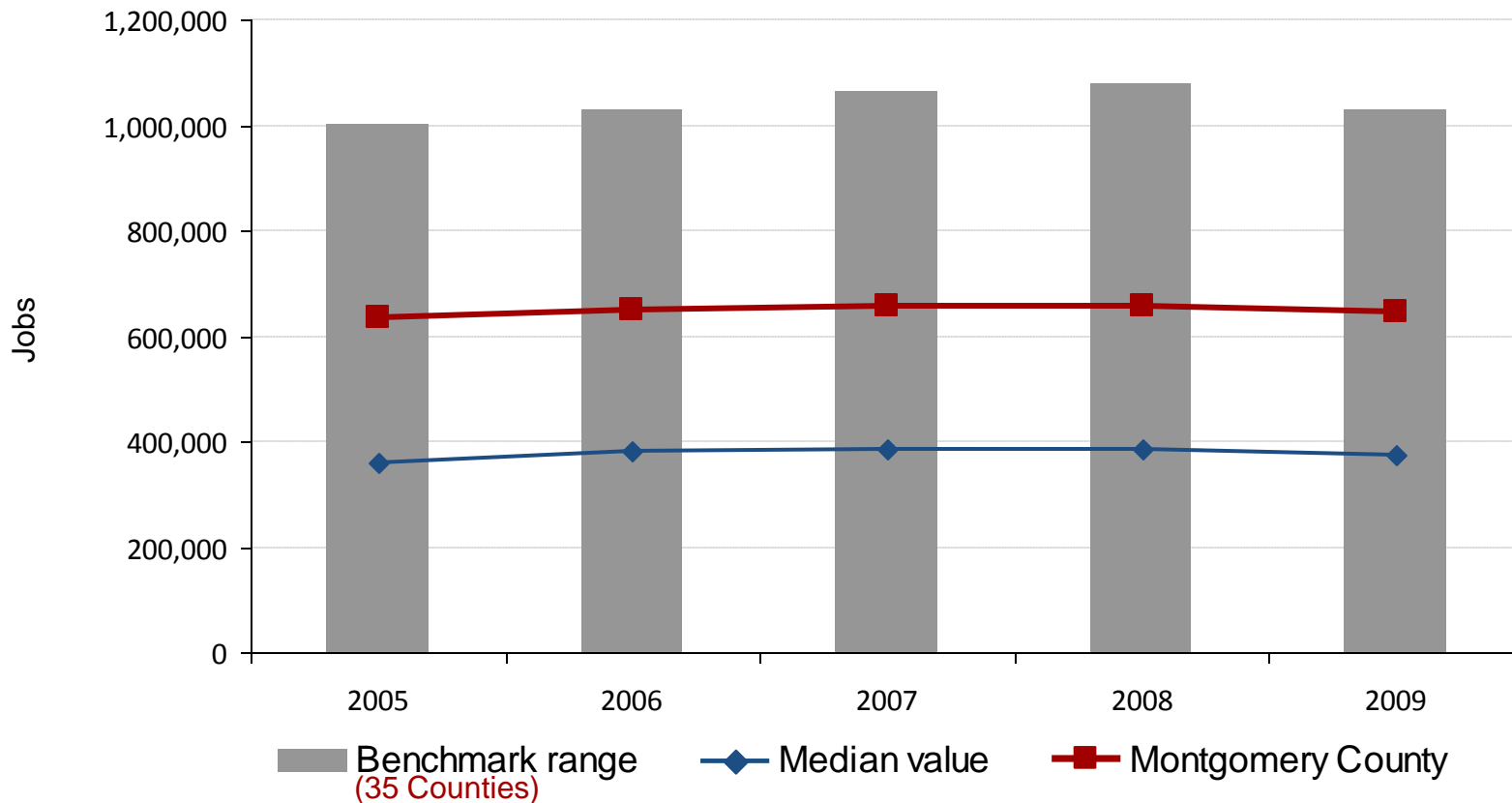
■ How we measure success:

- Comparison of headline performance measures to pervious year's performance will determine if departmental operations are improving, maintaining, or declining
- Comparison of Montgomery County economic indicator performance to regional and national trends



A Strong and Vibrant Economy

Indicator: Total employment (Number of jobs)



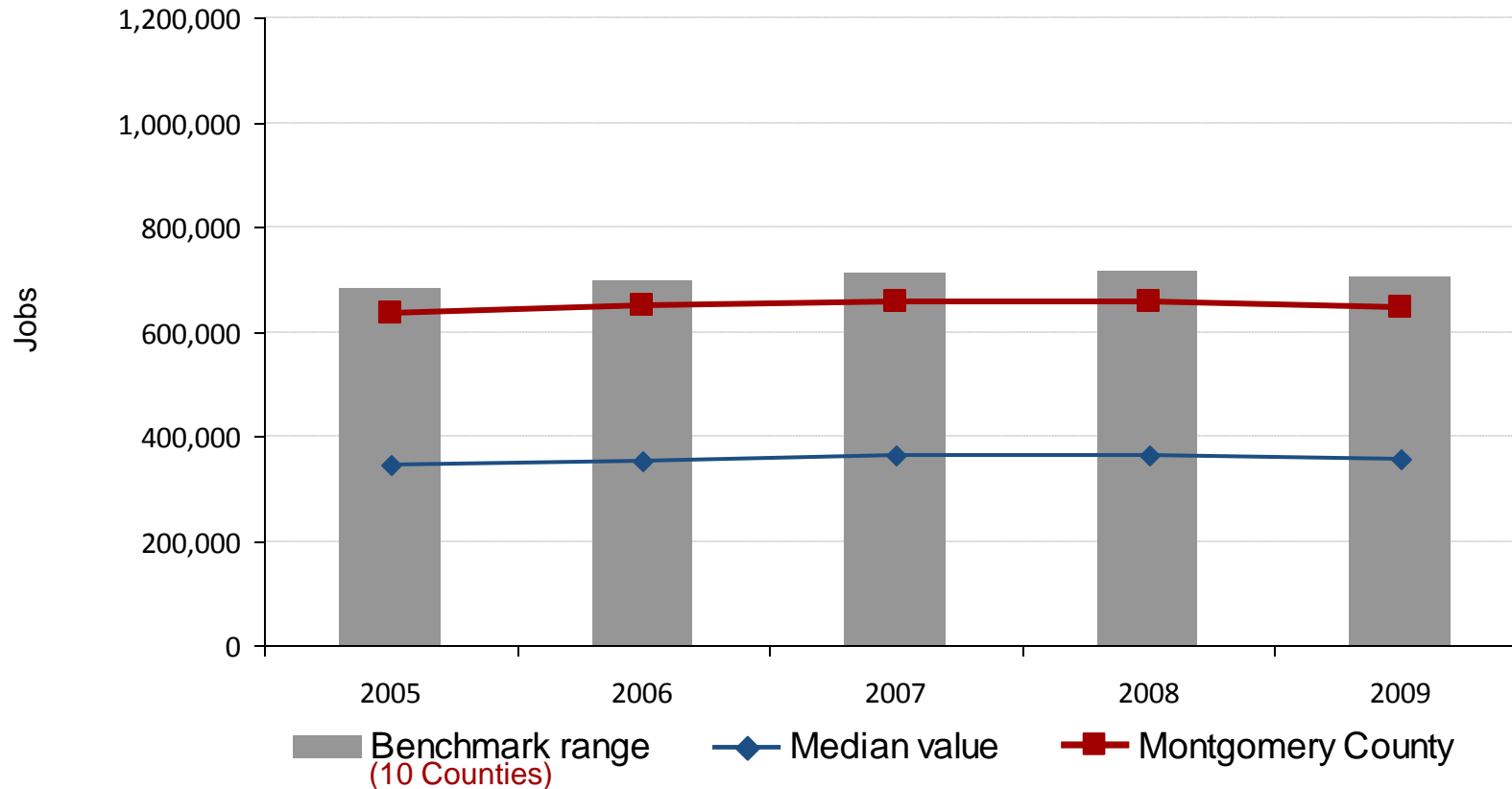
In 2009, the median national value was 375,193. In Montgomery County, total employment (number of jobs) was 645,201. In 2009, the highest value was 1,119,759 and the lowest value was 93,322.

Source: Bureau of Economic Analysis; New estimates for 2009 and revisions for 2008-2009 based on April, 2011 data release



A Strong and Vibrant Economy

Indicator: Total employment (Number of jobs)

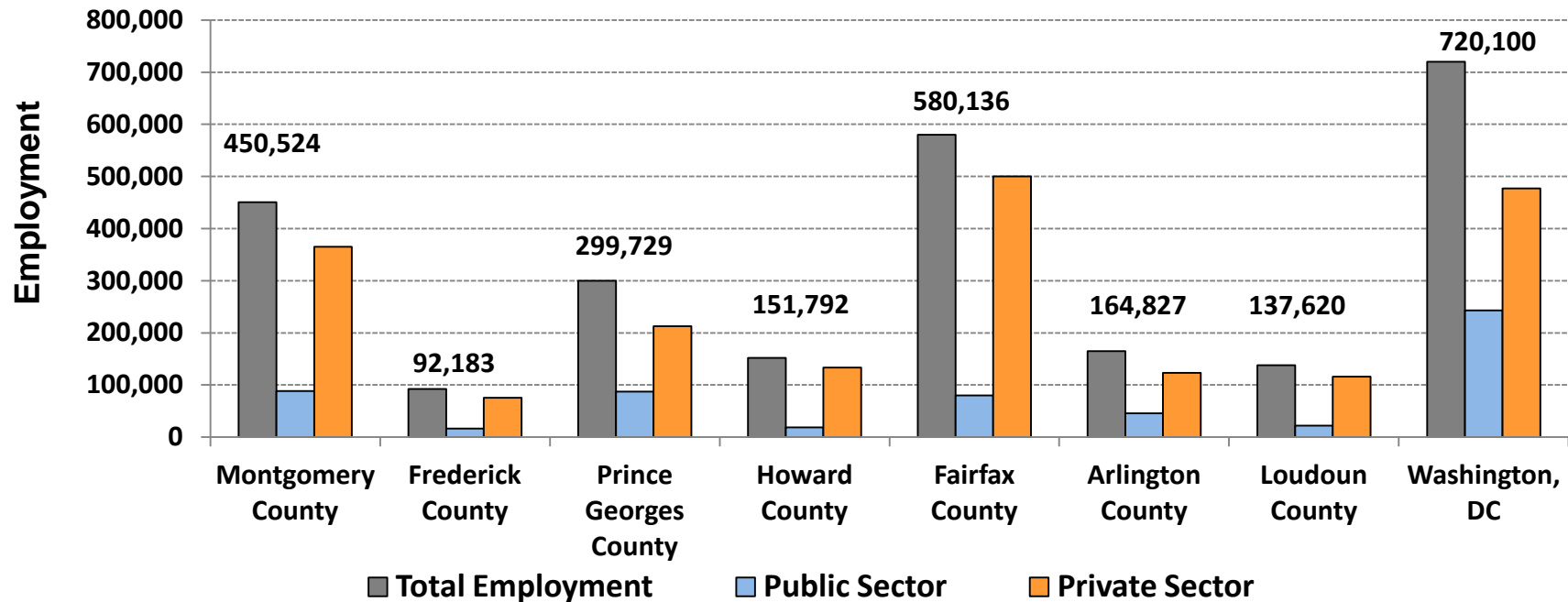


In 2009, the median regional value was 357,027. In Montgomery County, total employment (number of jobs) was 645,201. In 2009, the highest value was 833,272 and the lowest value was 127,289.

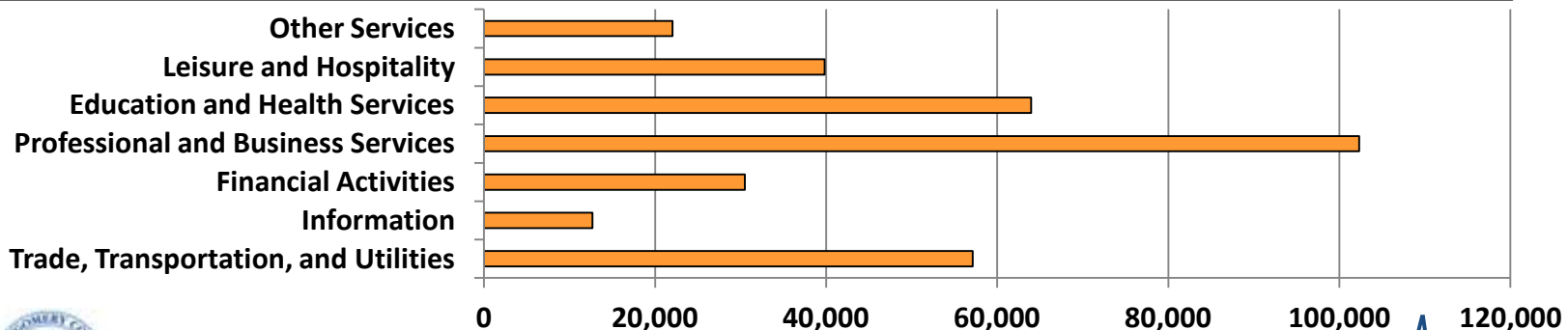


Source: Bureau of Economic Analysis; New estimates for 2009 and revisions for 2008-2009 based on April, 2011 data release

Regional Benchmark: Employment by Sector 2011 Q2



Montgomery County Private Sector Employment by Industry



Source: For MD - DLLR, for VA - VA Employment Commission, for DC - DC Department of Employment Services

Regional Benchmark: Employment by Sector 2011 Q2

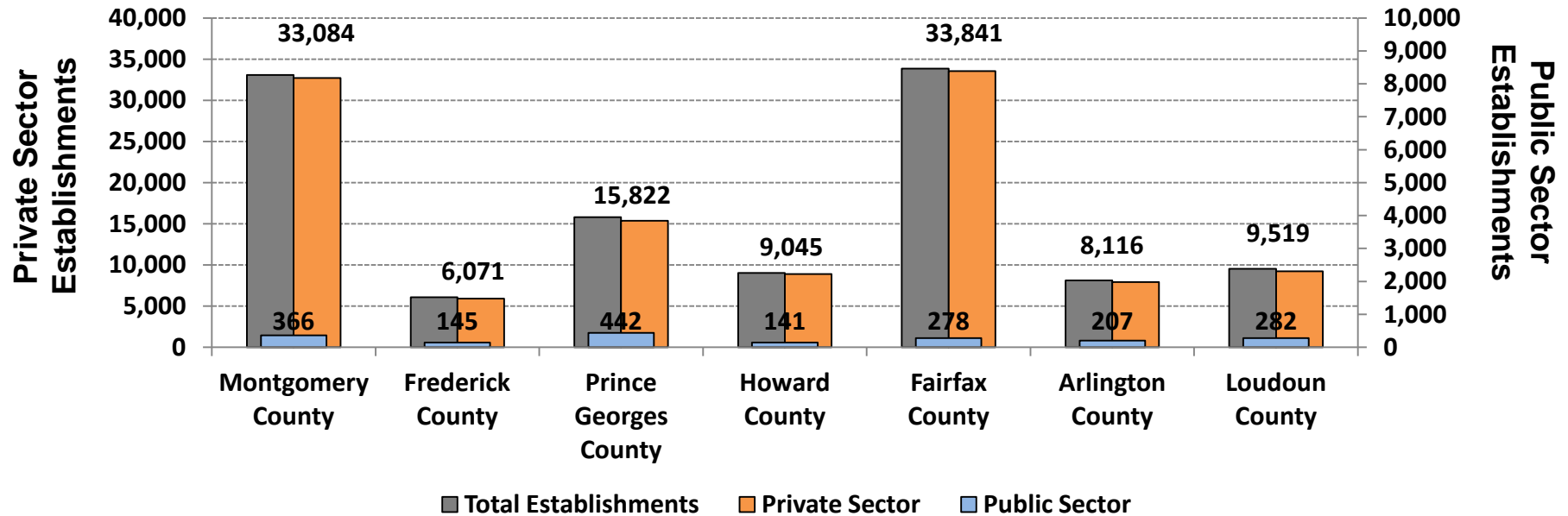
	Montgomery County	Frederick County	Prince Georges County	Howard County	Fairfax County	Arlington County	Loudoun County	Washington, DC
Total Employment	450,524	92,183	299,729	151,792	580,136	164,827	137,620	720,100
Public Sector	88,211	16,316	87,276	18,533	79,905	45,543	21,861	243,200
Federal Government	46,366	4,155	27,589	642	22,559	34,314	4,407	208,200
Private Sector	365,068	75,306	212,454	133,260	500,230	123,397	115,759	476,900
<i>Goods-Producing</i>	36,615	12,693	33,088	16,754	34,867	3,109	18,707	11,900
Natural Resources and Mining	732	556	187	719	283	6	587	0
Construction	23,974	7,421	24,862	9,643	25,314	2,385	13,433	10,800
Manufacturing	11,909	4,715	8,038	6,392	9,270	719	4,687	1,100
<i>Services-Providing</i>	328,453	62,613	179,366	116,506	545,269	165,831	118,913	708,200
Trade, Transportation, and Utilities	57,139	15,058	56,470	31,304	77,669	20,559	32,791	27,200
Information	12,691	1,256	5,848	3,767	22,855	4,648	7,442	18,500
Financial Activities	30,484	6,512	11,914	8,754	32,015	6,661	4,465	27,000
Professional and Business Services	102,317	14,728	38,648	39,398	216,094	48,656	25,516	154,000
Education and Health Services	63,979	12,293	29,557	14,713	100,542	21,891	22,942	113,900
Leisure and Hospitality	39,814	9,551	27,702	13,806	49,442	17,729	14,882	60,200
Other Services	22,029	3,216	9,227	4,762	20,813	10,616	4,471	63,900
<i>Unclassified</i>	NA							5,023

Fairfax County is the most comparable to Montgomery in terms of employment by industry. The major difference between the two jurisdictions is that Fairfax County has over 100,000 more professional and business service jobs.

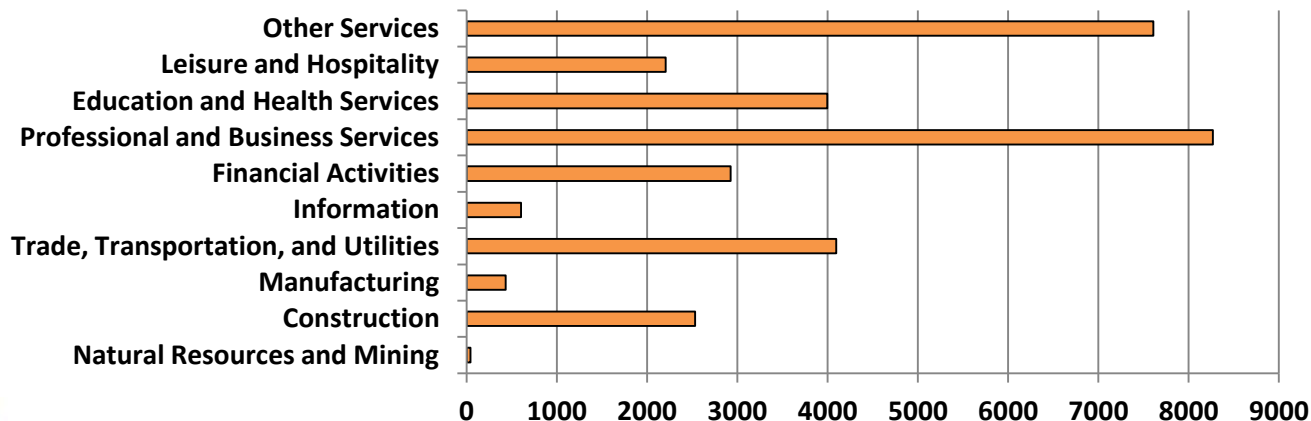


Source: For MD - DLLR, for VA - VA Employment Commission, for DC - DC Department of Employment Services

Regional Benchmark: Establishments by Sector 2011 Q2



Montgomery County Private Sector Establishments by Industry



Source: For MD - DLLR, for VA - VA Employment Commission, for DC - DC Department of Employment Services

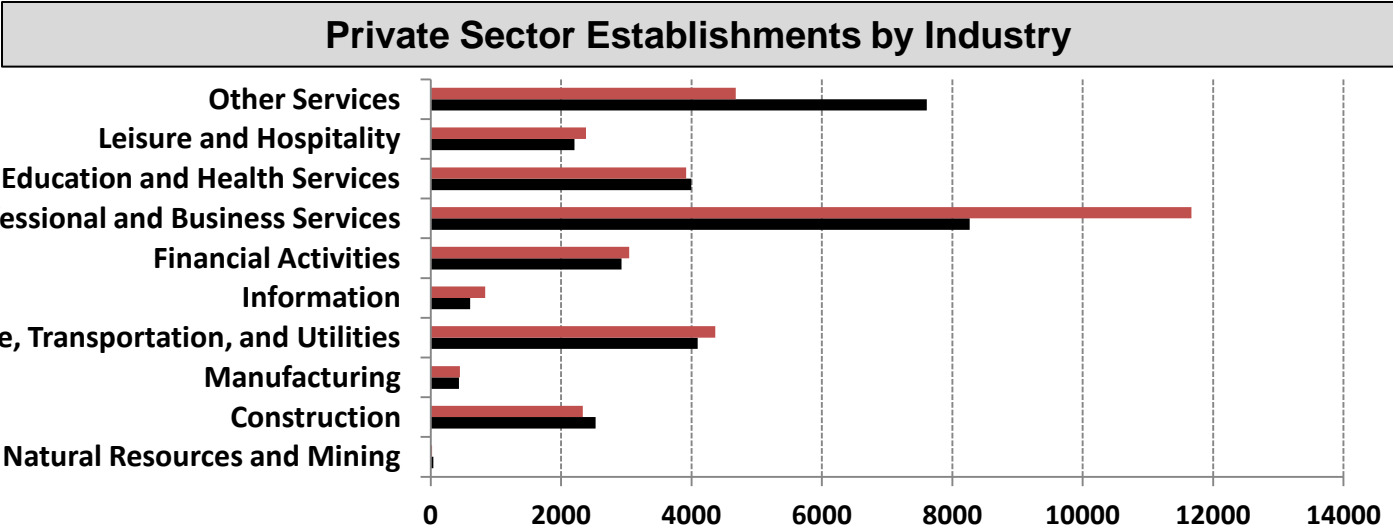
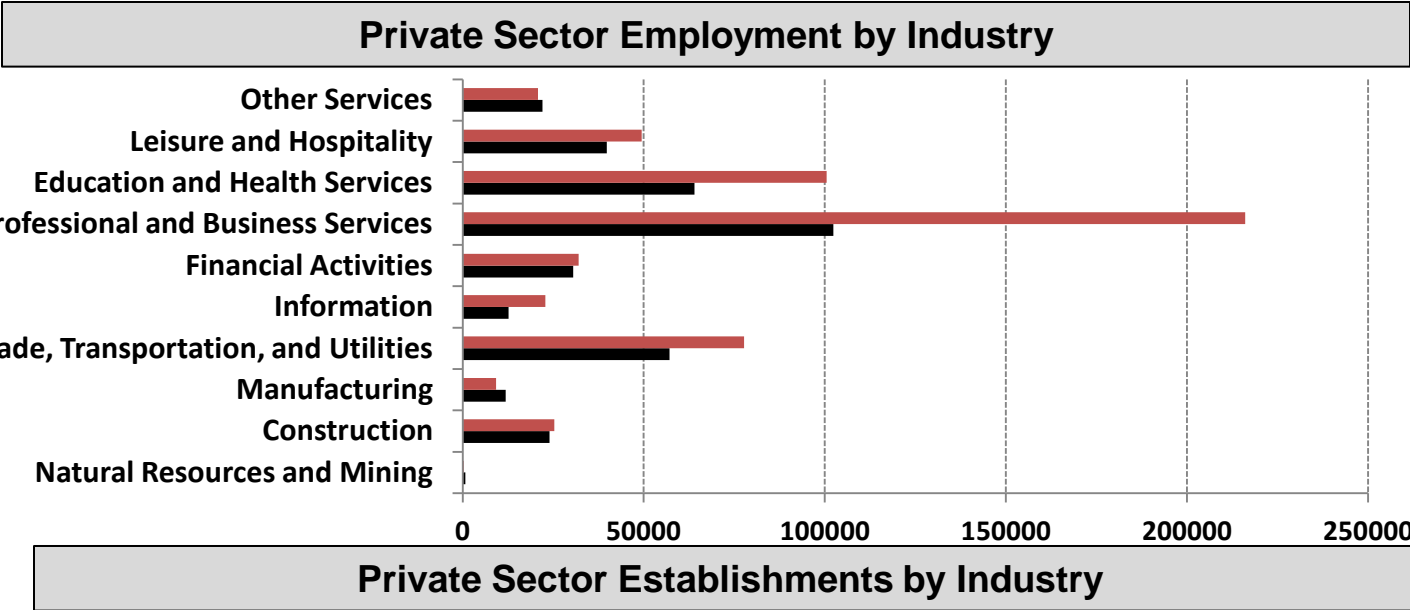
Regional Benchmark: Establishments by Sector 2011 Q2

	Montgomery County	Frederick County	Prince Georges County	Howard County	Fairfax County	Arlington County	Loudoun County
Total Establishments	33,084	6,071	15,822	9,045	33,841	8,116	9,519
Public Sector	366	145	442	141	278	207	282
Federal Government	121	62	131	30	151	112	48
Private Sector	32,718	5,926	15,380	8,904	33,563	7,909	9,237
<i>Goods-Producing</i>	3,006	1,202	2,023	1,142	2,802	337	1,105
Natural Resources and Mining	42	56	27	28	23	4	88
Construction	2,531	976	1,676	884	2,332	256	830
Manufacturing	433	170	320	230	447	77	187
<i>Services-Providing</i>	29,706	4,723	13,356	7,760	31,039	7,779	8,414
Trade, Transportation, and Utilities	4,096	1,093	3,410	1,718	4,366	862	1,586
Information	604	88	219	155	838	227	253
Financial Activities	2,925	532	1,374	868	3,045	589	680
Professional and Business Services	8,269	1,329	3,126	2,540	11,668	2,625	3,065
Education and Health Services	3,997	661	2,141	1,047	3,917	715	1,126
Leisure and Hospitality	2,205	513	1,484	667	2,381	679	705
Other Services	7,610	507	1,602	765	4,678	1,974	887
<i>Unclassified</i>	6	1	1	2	10	***	***



Source: For MD - DLLR, for VA - VA Employment Commission,

Regional Benchmark: Comparison of Montgomery County to Fairfax County Private Sectors



■ Fairfax County ■ Montgomery County

Source: For MD - DLLR, for VA - VA Employment Commission, for DC - DC Department of Employment Services



2011 Job Growth:

Economic Modeling Specialists Inc. (EMSI) Complete Employment

Although growth in County jobs was below 1% in 2011, the gains are within two tenths on the national and 5 tenths more than the state

	2010 Jobs	2011 Jobs	Change	% Change	2011 Average Earnings	2011 Establishments
Montgomery County	639,479	643,332	3,853	0.6%	\$70,384	36,493
Maryland	3,333,789	3,335,973	2,184	0.1%	\$57,862	164,106
National	172,205,426	173,545,944	1,340,518	0.8%	\$52,217	9,037,989

Benchmark data from DLLR show only jobs covered by unemployment insurance. EMSI data show`s jobs that are covered and uncovered by unemployment insurance, such as self-employed, religious workers, military workers, etc.



Source: Economic Modeling Specialists Inc. Complete Employment - 2011

Montgomery County Jobs by Industry

Industry Description	2010 Jobs	2011 Jobs	% Change	2011 Average Earnings	2011 Companies
Agriculture, Forestry, Fishing and Hunting	1,119	1,130	0.98%	\$23,234	35
Mining, Quarrying, and Oil and Gas Extraction	732	709	-3.14%	\$50,103	9
Utilities	542	556	2.58%	\$115,730	14
Construction	33,785	33,374	-1.22%	\$73,938	2,715
Wholesale Trade	12,988	13,123	1.04%	\$111,912	1,717
Information	17,745	17,724	-0.12%	\$96,787	782
Finance and Insurance	38,135	37,764	-0.97%	\$95,435	1,669
Real Estate and Rental and Leasing	39,228	38,664	-1.44%	\$43,811	1,461
Professional, Scientific, and Technical Services	100,254	103,054	2.79%	\$88,643	7,716
Management of Companies and Enterprises	8,545	8,688	1.67%	\$139,694	112
Administrative and Support and Waste Management and Remediation Services	46,078	46,836	1.65%	\$40,181	2,358
Educational Services	16,708	16,019	-4.12%	\$32,948	599
Health Care and Social Assistance	69,823	71,302	2.12%	\$57,114	3,450
Arts, Entertainment, and Recreation	15,847	16,211	2.30%	\$21,752	445
Accommodation and Food Services	33,286	32,725	-1.69%	\$26,890	1,757
Other Services (except Public Administration)	36,151	36,648	1.37%	\$36,923	7,646
Government	91,352	91,361	0.01%	\$117,592	323
Manufacturing	14,000	13,706	-2.10%	\$114,544	467
Retail Trade	52,019	52,576	1.07%	\$36,444	2,847
Transportation and Warehousing	11,141	11,159	0.16%	\$50,082	370
Total	639,479	643,332	0.60%	\$70,384	36,493



Source: Economic Modeling Specialists Inc. Complete Employment - 2011

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Understanding Montgomery County's Competitiveness

Shift share is an analysis method that looks at the regional job growth resulting from national trends and unique characteristics of the region being measured.

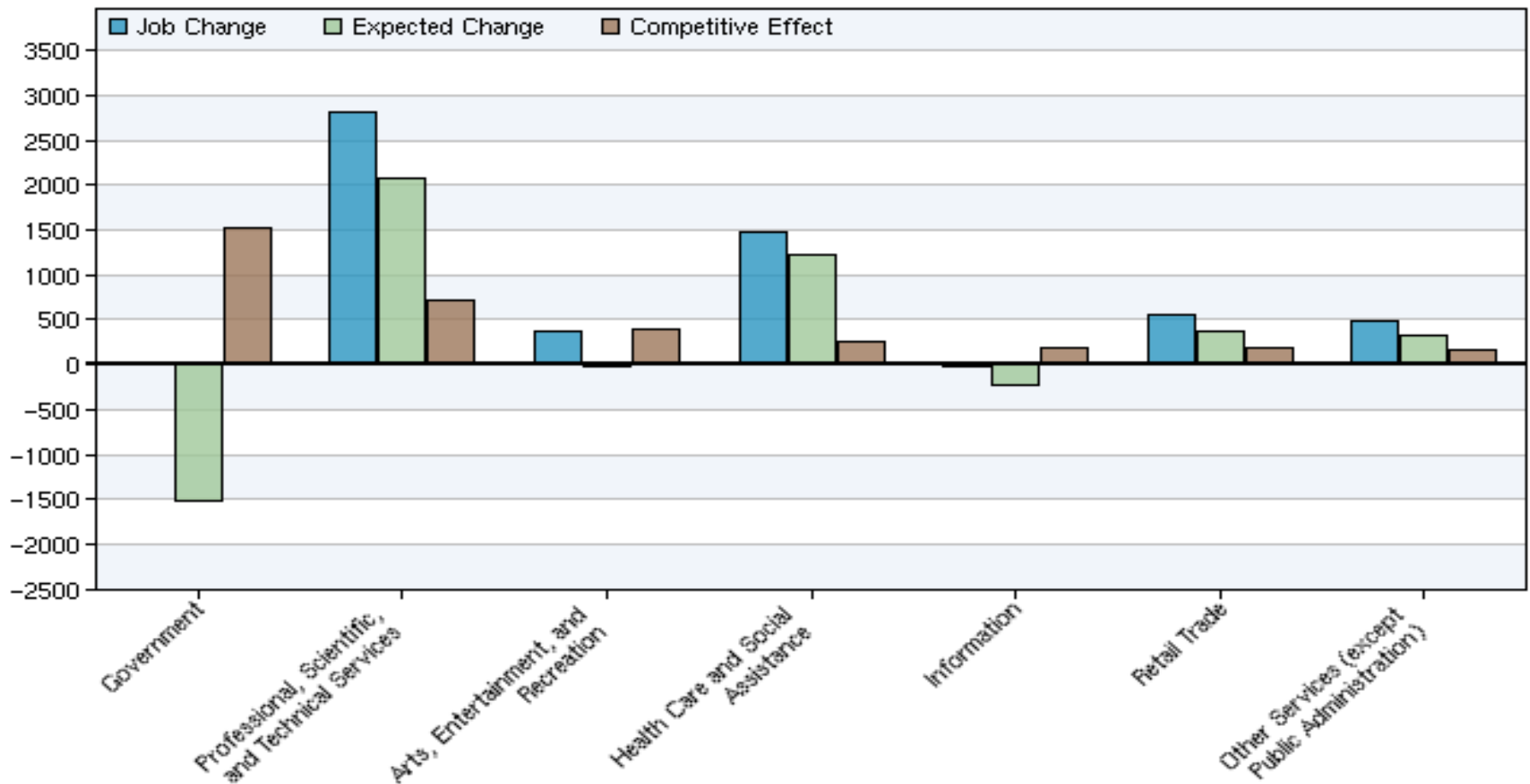
The goal is to give insight on why jobs are increasing or decreasing in an industry, cluster or occupation.

SHIFT SHARE COMPONENTS:

- **The Industrial Mix Effect:** The portion of regional industry growth explained by the growth in that industry at the national level. It is calculated by subtracting the national growth rate of the total economy from the national growth rate of the specific industry, and this growth percentage is applied to the regional jobs in that industry.
- **The National Growth Effect:** Measures how much of the regional industry's growth is due to the overall growth of the national economy.
- **The Expected Change:** Is the growth rate of the particular industry at the national level and is the sum of the industrial mix and the national growth effects.
- **The Regional Competitive Effect:** Explains how much of the change in a given industry is due to unique competitive advantages the region. As the growth cannot be explained by national trends in that industry or the overall economy, it is determined by taking the total regional growth of a specific industry and subtracting the national growth for that same industry.



Montgomery County Shift Share Analysis CY2010-CY2011



Shift share analysis gives more insight on the job growth not readily discernible in raw numbers where growth in Government jobs is due more to County competitive factors versus the Professional, Scientific and Technical Services which was due more to the industry and national economy growth.



Source: EMSI Complete Employment - 2011.4

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2011 Highest and Lowest Job Growth

Employment Category	Job Change	% Change	Industry Mix Effect	National Growth Effect	Expected Change	Competitive Effect
Professional, Scientific, and Technical Services	2,800	2.79%	1,297	780	2,077	722
Health Care and Social Assistance	1,479	2.12%	680	544	1,224	256
Retail Trade	557	1.07%	-42	405	363	194
Arts, Entertainment, and Recreation	364	2.30%	-151	123	-28	391
Management of Companies and Enterprises	143	1.67%	8	67	75	68
Utilities	14	2.58%	-5	4	-1	15
Government	9	0.01%	-2,225	711	-1,514	1,524
Mining, Quarrying, and Oil and Gas Extraction	-23	-3.14%	71	6	77	-99
Manufacturing	-294	-2.10%	102	109	211	-506
Accommodation and Food Services	-561	-1.69%	274	259	533	-1,094
Real Estate and Rental and Leasing	-564	-1.44%	-399	305	-94	-470
Educational Services	-689	-4.12%	165	130	295	-984

Of the top 5 industries with the highest growth in jobs in 2011 only two (Utilities and Arts, Entertainment, and Recreation) could be attributed to competitive factors over industry and national growth effects.



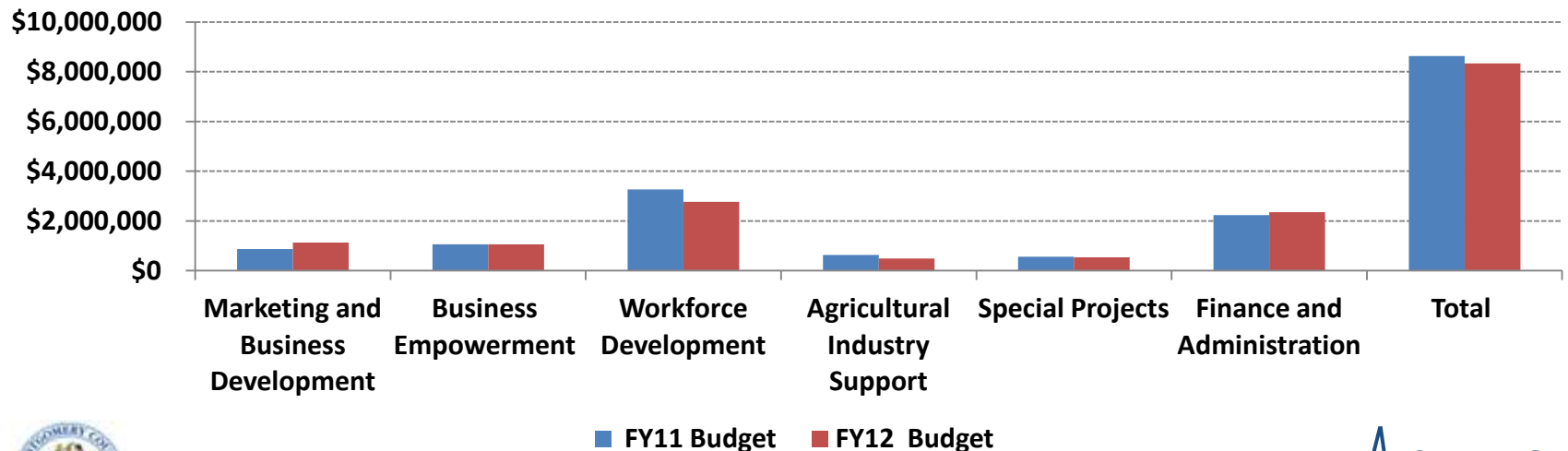
Department Performance Goals

- Retain and grow existing businesses, strategically attract new ones and enhance entrepreneurial opportunities; work to ensure that all business sectors benefit from the knowledge-based economy.
- Adapt to a more competitive business climate by creating an environment where knowledge-based industries and small businesses thrive.
- Foster creative and strong partnerships with academia, the federal research community, the private sector and various levels of government to pursue innovative projects, policies and best practices that support business growth and expansion.
- Establish global linkages to facilitate business development opportunities abroad, attract international investment to Montgomery County, and foster trade and joint ventures for Montgomery County businesses.












DED General Fund Organizational Areas

	FY11 Budget	FY12 Budget	FY11 Workyears
Marketing and Business Development	\$873,190	\$1,125,420	5.8
Business Empowerment	\$1,059,660	\$1,059,720	7.8
Workforce Development *	\$3,268,820	\$2,769,620	3.8
Agricultural Industry Support	\$631,780	\$494,220	4.6
Special Projects	\$564,960	\$532,830	4.0
Finance and Administration	\$2,230,760	\$2,352,520	4.8
* Includes grants Total	\$8,629,170	\$8,334,330	30.8

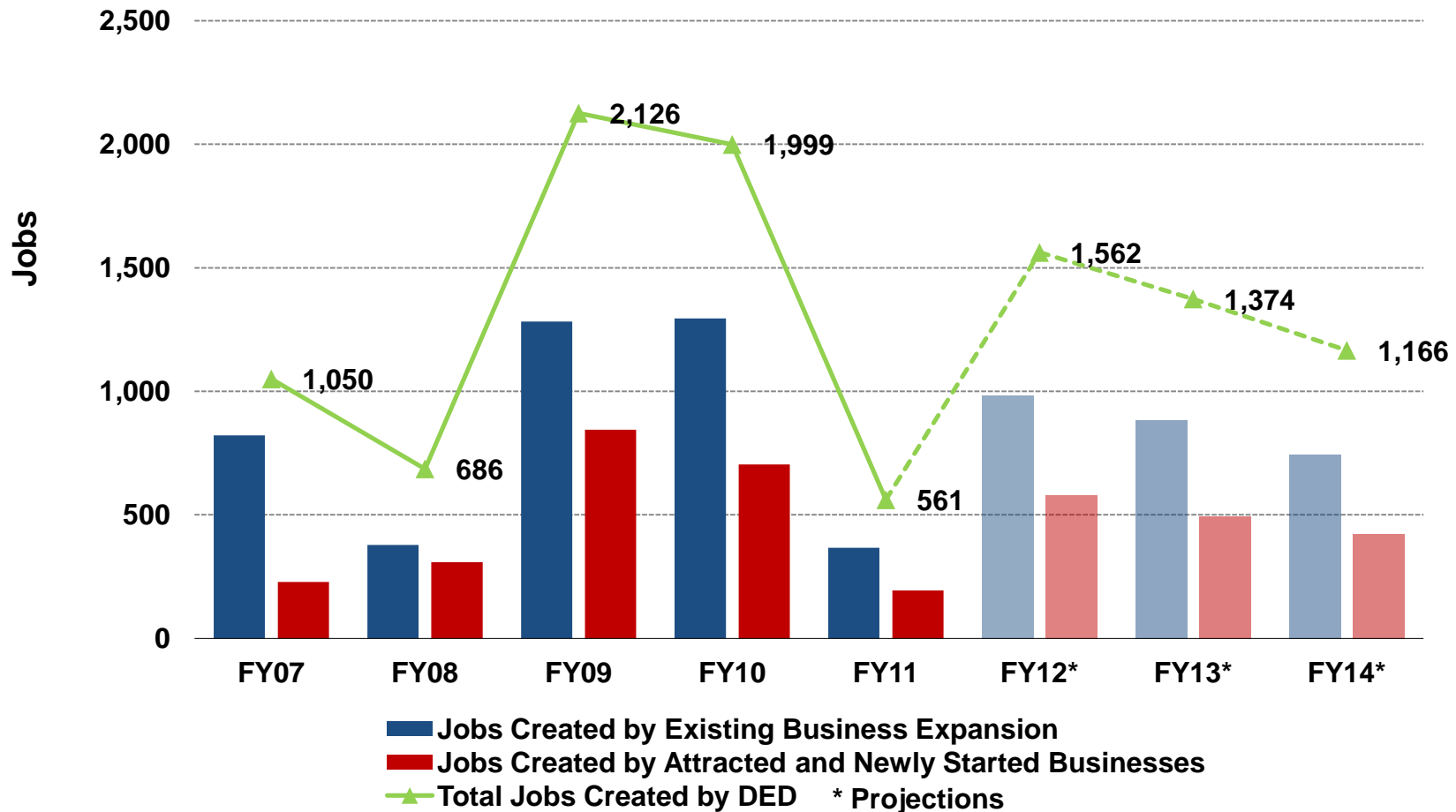


FY 11 Headline Measure Performance

<u>Performance Measure Text</u>	<u>FY11</u>	<u>FY10</u>	<u>Performance</u>
Jobs created by existing business expansion within three years of DED involvement	362	1,295	
Jobs created by new business attraction within three years of DED involvement	194	704	
Total new capital investment by businesses currently located in the County through DED involvement	\$74M	\$507M	
Total new capital investment by newly attracted businesses and start-up businesses through DED involvement	\$5M	\$26M	
New commercial space occupied by businesses currently located in the County through DED involvement (sq. feet)	756,187 sq feet	2,033,338 sq feet	
New commercial space occupied by newly attracted and start-up businesses through DED involvement (sq. feet)	28,484 sq feet	376,000 sq feet	
Percent of active prospects successfully closed per fiscal year	20%	48%	
Number of new jobs created by incubator tenant companies post graduation	59	51	
Percent of participants satisfied with DED sponsored technical assistance and training programs	97%	96%	



Headline Measure: Jobs Created by Business Attraction, Retention & Expansion Effort



Business development is measured over a rolling three year period however, the downward trend from FY09 is a reflection of a strategic change to target retention



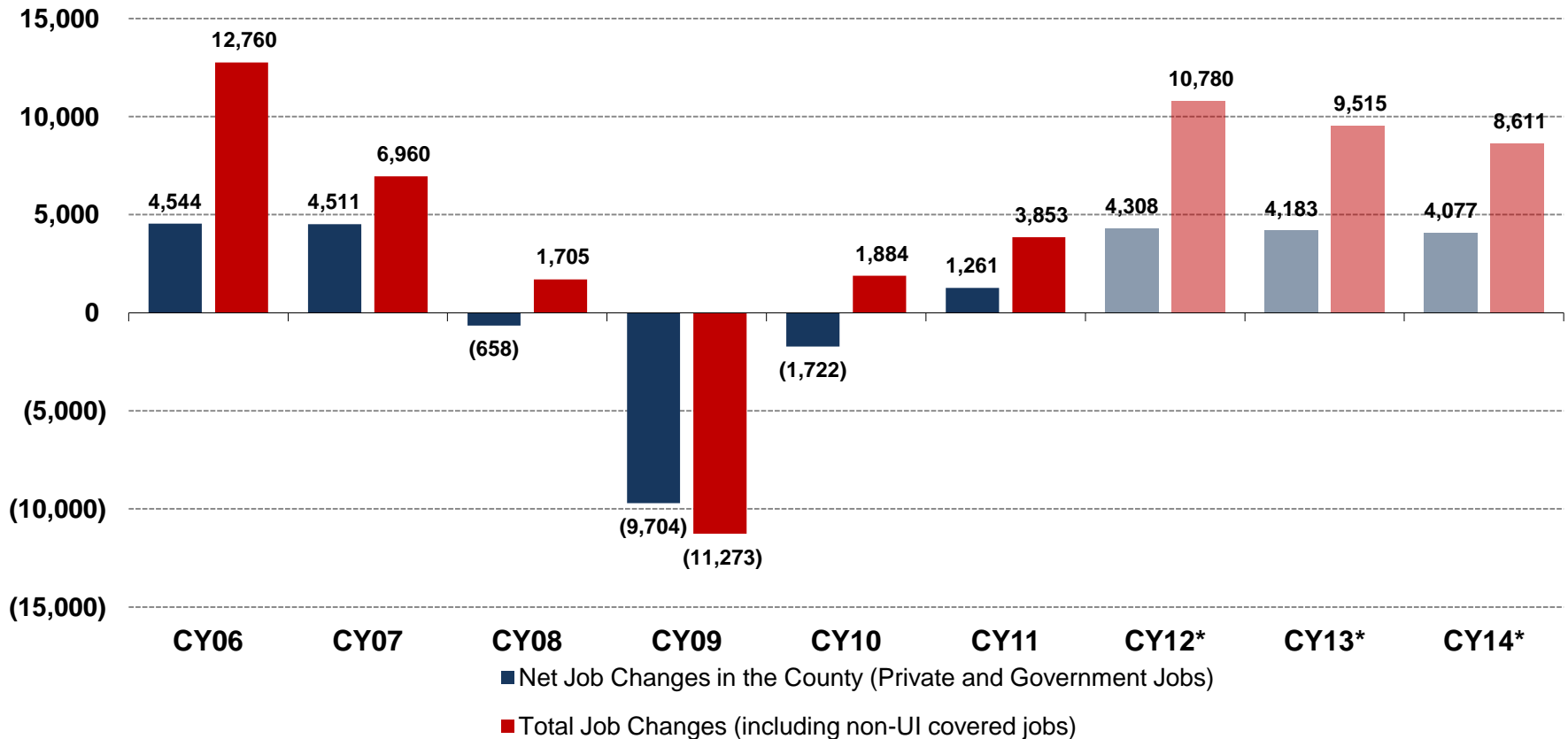
Job Creation and Expansion Supporting Data

	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14
							Projections		
Jobs Created by Existing Business Expansion	607	822	378	1,282	1,295	367	981	881	743
Jobs Created by Attracted and Newly Started Businesses	862	228	308	844	704	194	581	493	423
Jobs Retained	NA					3,637	8,000	3,000	3,000
Total Jobs Created by DED	1,469	1,050	686	2,126	1,999	561	1,562	1,374	1,166

EMSI Net Job Data	CY06	CY07	CY08	CY09	CY10	CY11	CY12	CY13	CY14
Net Job Changes In the County (government and private jobs)	4,544	4,511	(658)	(9,704)	(1,722)	1,261	4,308	4,183	4,077
Total Job Changes (Includes jobs not covered by unemployment insurance)	12,760	6,960	1,705	(11,273)	1,884	3,853	10,780	9,515	8,611



Headline Sub-Measure: Net Job Changes



* EMSI and DLLR Projections

CY11 showed a continued reversal of the downward trend from CY07



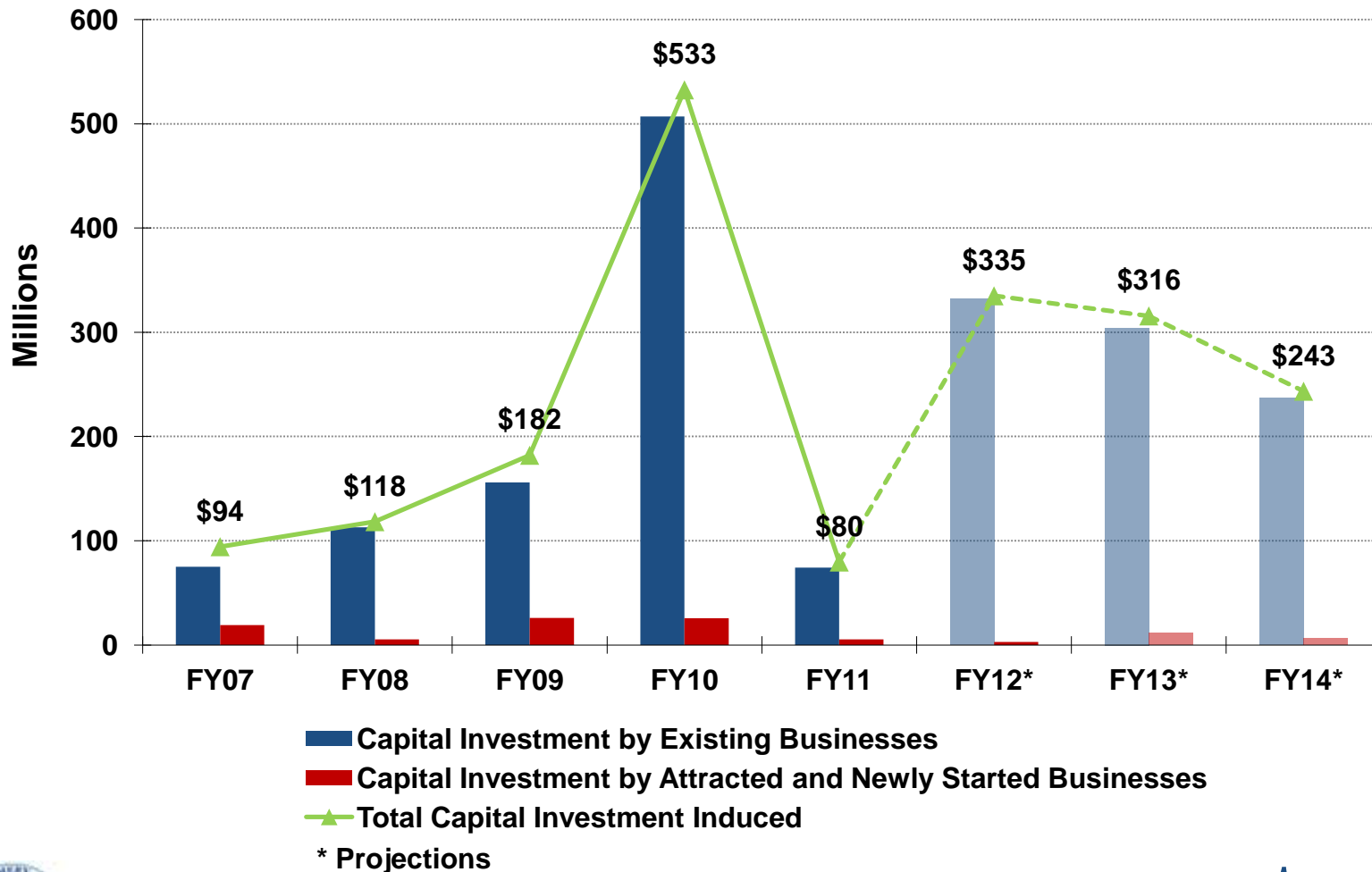
Source: DLLR and EMSI Complete Employment - 2011.4

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Headline Measure: New Capital Investment by Attracted and Existing Businesses in the County Through DED Involvement

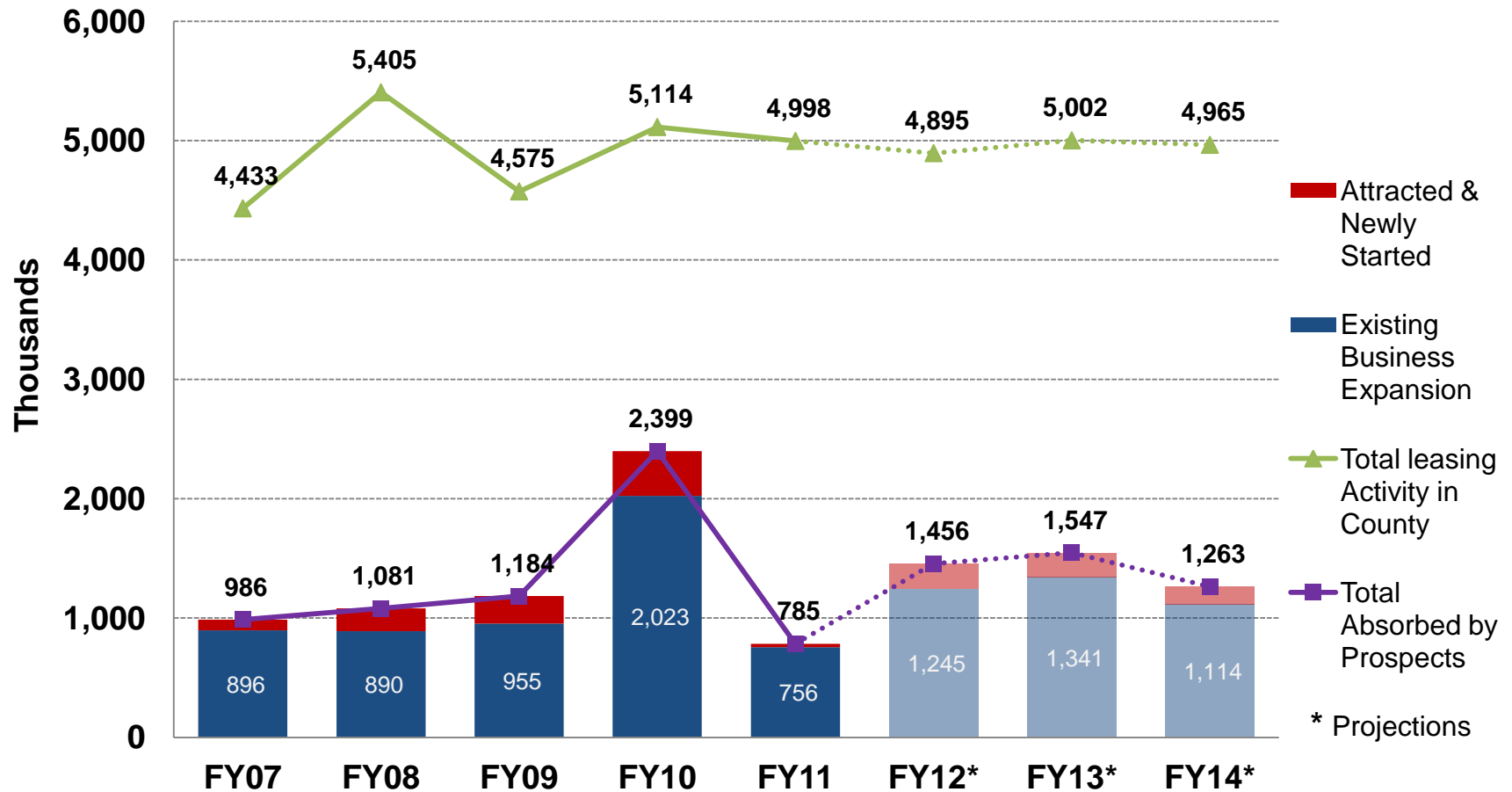


Headline Measure: New Capital Investment by Attracted and Existing Businesses in the County Through DED Involvement

	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14
							Projections		
Existing Businesses	\$ 149 M	\$ 75 M	\$ 113 M	\$ 156 M	\$ 507 M	\$ 74 M	\$ 332 M	\$ 304 M	\$ 237 M
Attracted and Newly Started Businesses	\$ 87 M	\$ 19 M	\$ 6 M	\$ 26 M	\$ 26 M	\$ 5 M	\$ 3 M	\$ 11 M	\$ 7 M
Total Capital Investment Induced	\$ 236 M	\$ 94 M	\$ 118 M	\$ 182 M	\$ 533 M	\$ 80 M	\$ 335 M	\$ 316 M	\$ 243 M



Headline Measure: New Commercial Space Occupied (Square Feet)



Headline Measure: New Commercial Space Occupied (Square Feet)

	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14
						Projections		
Existing Business Expansion	896,318	890,094	954,625	2,023,338	756,187	1,244,717	1,341,414	1,114,106
Attracted & Newly Started	89,919	190,987	229,800	376,000	28,484	211,428	205,304	148,405
Total leasing Activity in County	4,433,060	5,405,172	4,574,825	5,113,964	4,997,537	4,895,442	5,002,314	4,965,098
Total absorbed by Prospects	986,237	1,081,081	1,184,425	2,399,338	784,671	1,456,145	1,546,718	1,262,511



Regional Benchmark: Commercial Real Estate Availability 2011 Q2

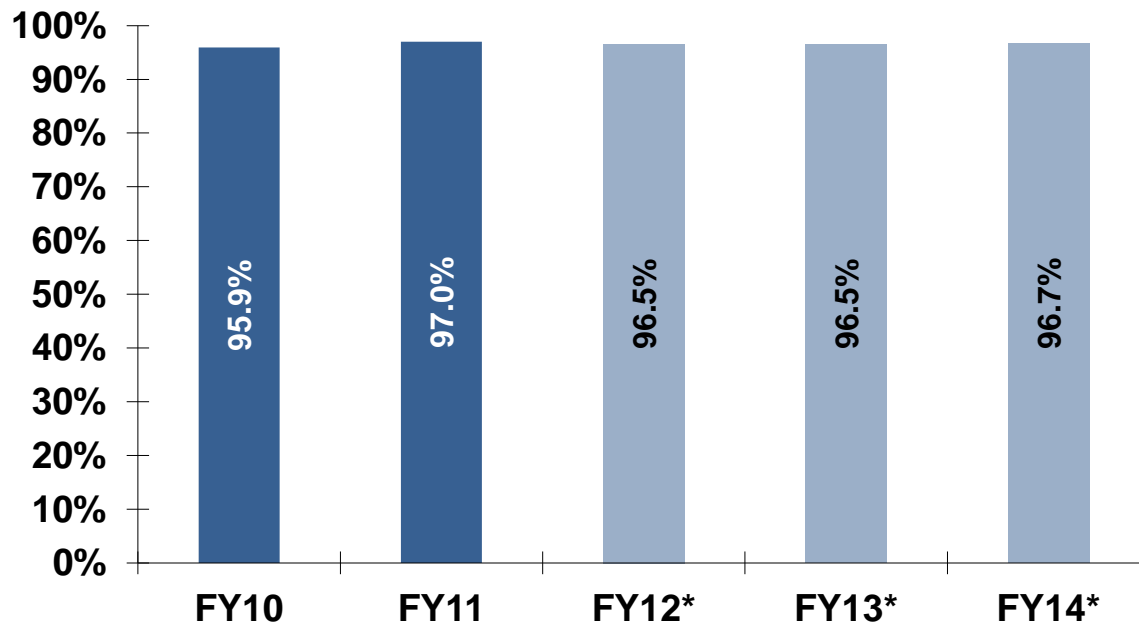
	Montgomery County	Frederick County	Prince Georges County	Fairfax County	Arlington County	Loudoun County	Washington, DC
Total Rentable Building Area (Square Feet)	31,709,242	2,622,823	8,516,097	69,680,480	22,623,409	9,162,083	85,368,553
Vacancy Rate	14.0%	12.0%	22.0%	17.0%	13.0%	19.0%	13.0%
Net Absorption (Square Feet)	106,160	16,924	-22,820	-489,066	-327,125	-64,779	166,932
Average Rental Rate (Full Service)	\$32.31	\$23.34	\$21.71	\$31.04	\$41.98	\$26.11	\$54.09

Commercial real estate benchmark data is composed of Office Class-A facilities that are extremely desirable investment-grade properties



Source: Costar

Headline Measure: DED Training Programs & Events Satisfaction



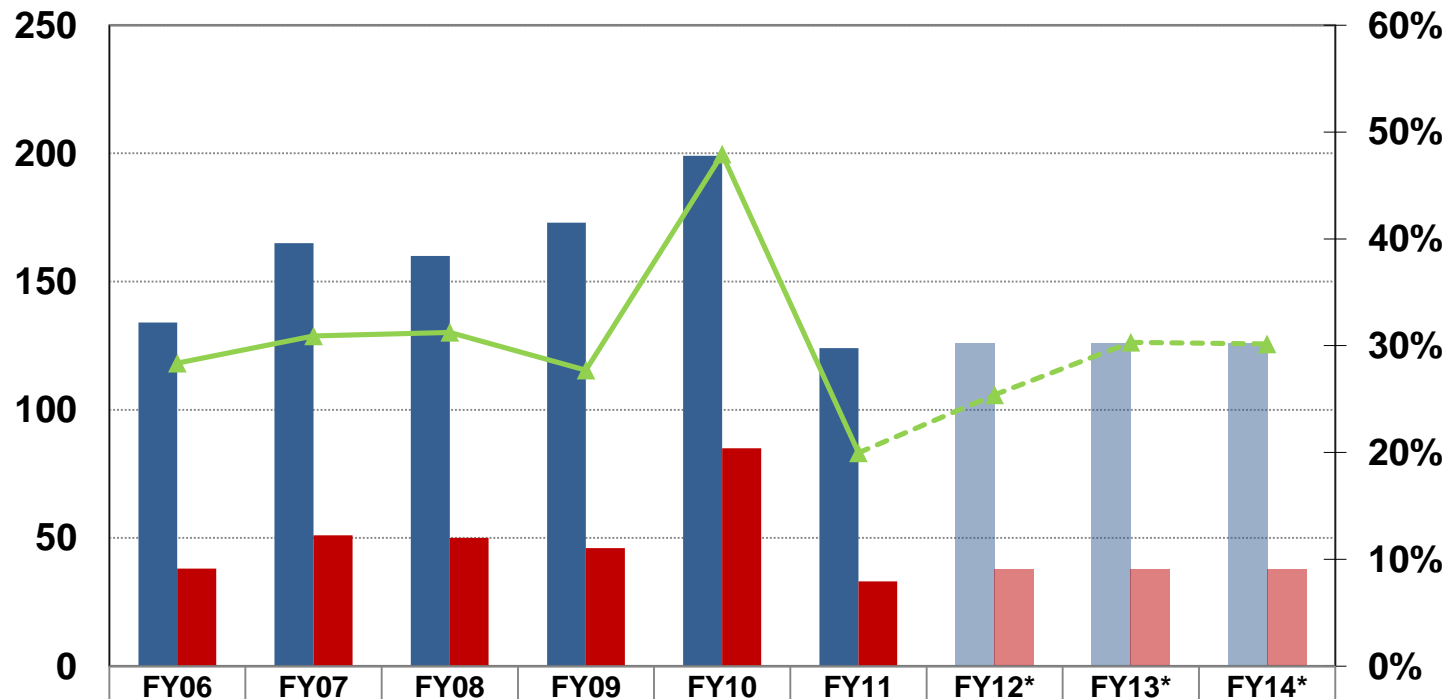
Percent of participants satisfied with DED sponsored technical assistance and training programs

* Projections

	FY11	FY12	FY13	FY14
		Projections		
Number of Events	109	80	80	80
Number of Attendees	1,461	1,022	1,022	1,022



Headline Measure: Percent of Active Prospects Successfully Closed Within Three Years



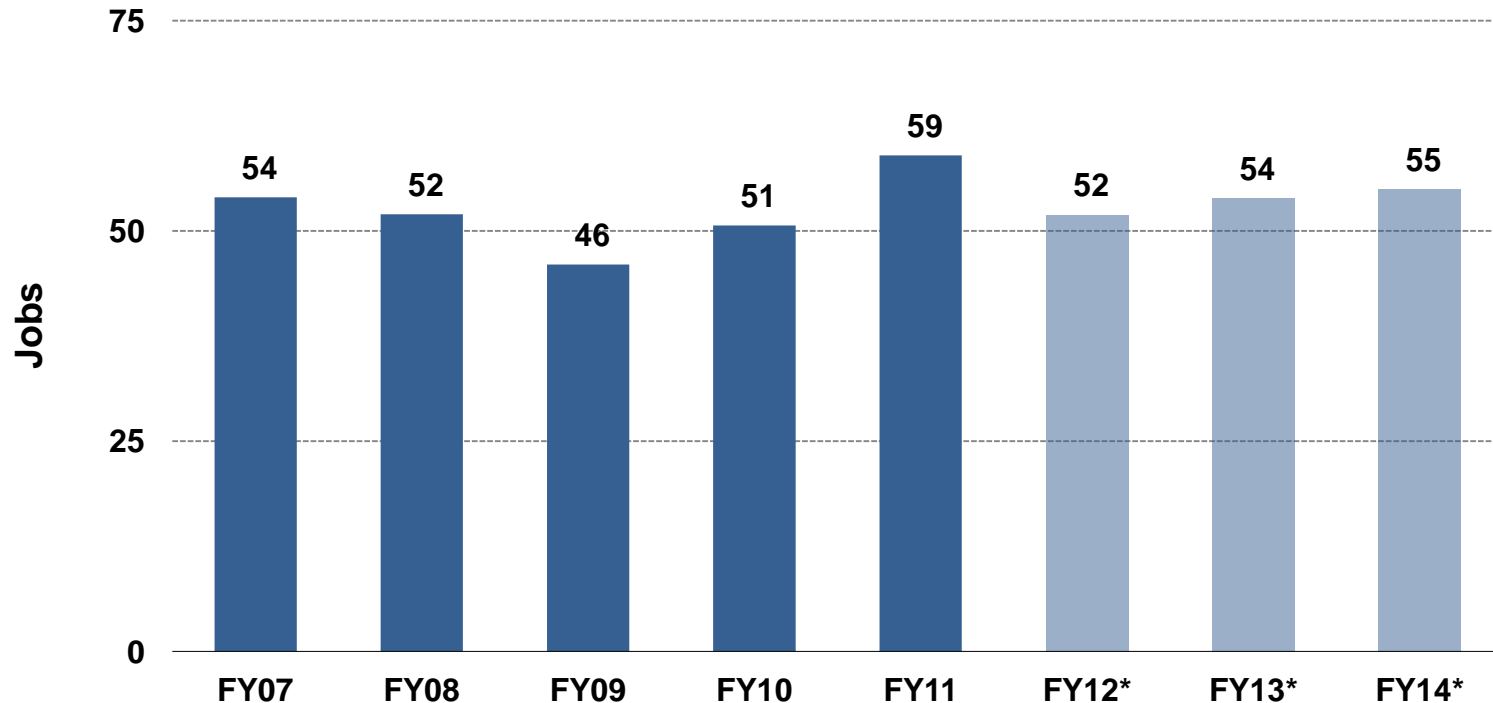
Active Prospects	FY06	FY07	FY08	FY09	FY10	FY11	FY12*	FY13*	FY14*
Closed within 3 Years	38	51	50	46	85	33	38	38	38
Closure Rate	28%	31%	31%	28%	48%	20%	25%	30%	30%

* Projections

FY11 marked the lowest percent of active prospects closed within 3 years since DED started collecting data for this performance measure



Headline Measure: Number of New Jobs Created by Incubator Companies Post Graduation

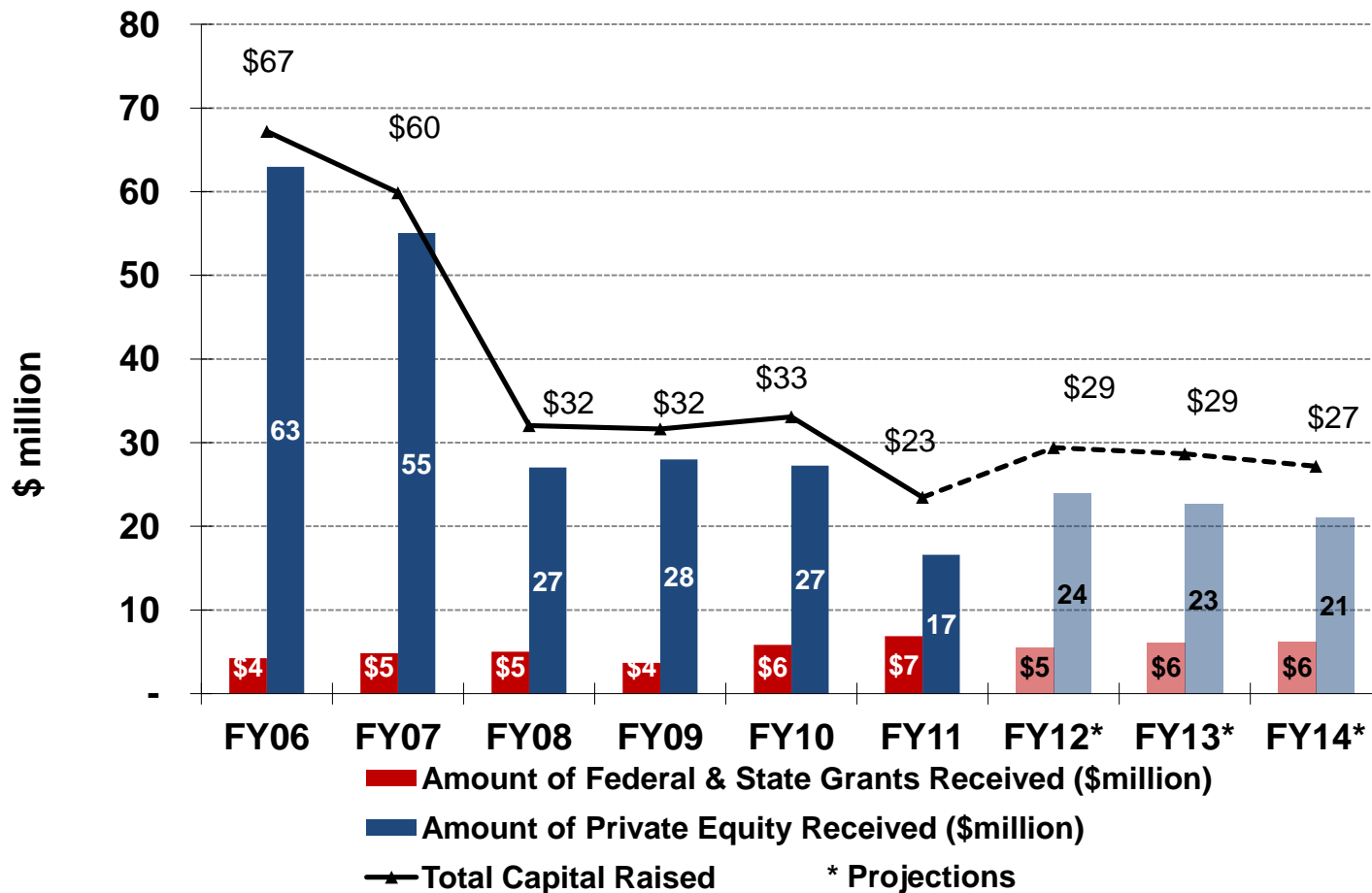


* Projections

From FY07, incubator jobs created post graduation is 12% of the total number of jobs created by attracted and newly started businesses by DED



Supporting Measure: Investment Attracted by Incubator Companies

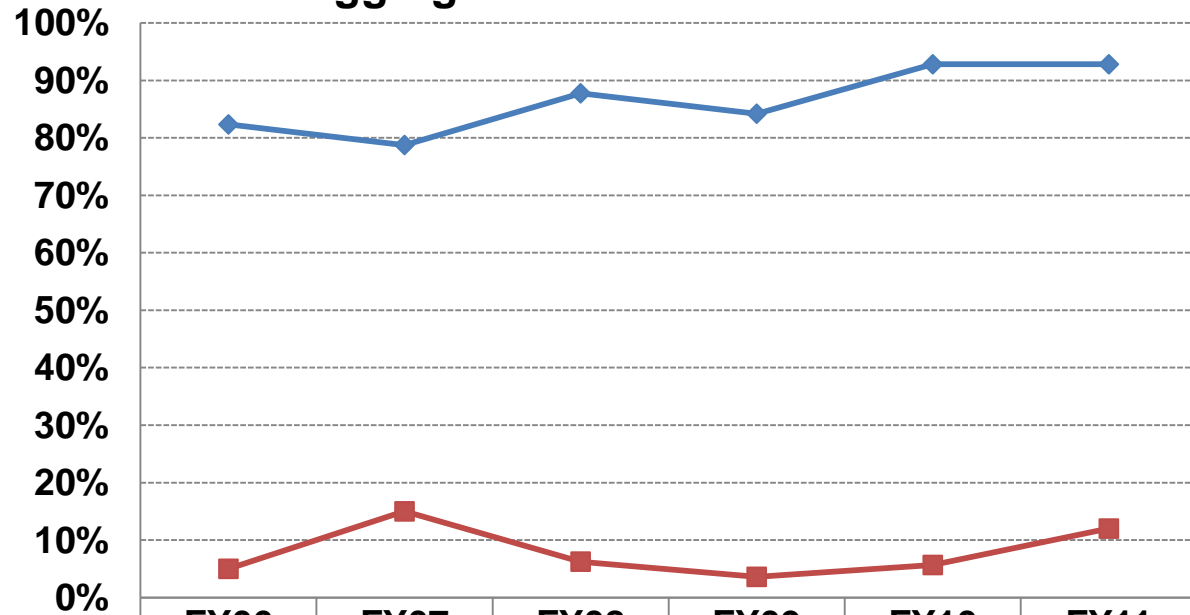


Investment levels are up \$8M in FY11 but remain at 1/3 of FY06 investment dollars and are not projected to rise any higher thru FY14



Headline Measure: Incubator Occupancy and Graduation Rates

Aggregate of the Five Incubators



	FY06	FY07	FY08	FY09	FY10	FY11
◆ Avg. Occupancy Rate	82.3%	78.8%	87.8%	84.2%	92.8%	92.8%
■ Avg. Graduation Rate	5.0%	15.0%	6.3%	3.6%	5.7%	12.0%

- Graduation rate is the number of companies that completed the program out of the total number of companies in the Incubator
- In FY07 and FY09 Rockville and Germantown centers opened



DED Recommendations for Future Data Collection

<u>Division</u>	<u>Measure</u>	<u>Objective</u>
•Marketing and Business Development and Special Projects •Minority and Business Empowerment	1. Number foreign delegations hosted by DED 2. Marketing the County - participation in events 3. Number of companies that received international business assistance 4. Issues resolved - permits, zoning, B2B, introductions, land-use etc.	• These measures quantify the level of effort to respond to inquiries about the County, host site visits, and provide general information. • Provide scope for the venues used to promote the County and prospect • Quantify actual services provided
•Finance	1. Revolving loans - applications reviewed 2. Revolving loans - loans made 3. EDF transactions	• Capture the volume and effort on lending activities • Capture the cycle time at various phases
•Agricultural Reserve	1. Acres of land under easements inspected (FY10) 2. Acres acquired under easements (FY910)	• Bring more focus to an area atypical to economic development • Quantify the services actually provided
•Workforce / Business Services	1. # of unique businesses served 2. # of employer forums 3. # of employer recruitments 4. # of job fairs	• Highlight the support being provided to employers • Provide alternate perspective to workforce development



DED Future Data Collection: Preliminary Data

Marketing and Business Development Special Projects, Minority and Business Empowerment	Q2FY12	Q1FY11	Comments
Number foreign delegations hosted by DED	2	0	Indian and Brazilian delegations
Marketing the County - participation in events	17	21	
Number of companies that received international business assistance	7		
Issues resolved related to permits, zoning, B2B, introductions, land-use	48	74	LSBRP(14), Start-up(7), Intro/Partnering(8), IP(1), Real Estate(3), Financing/Loans/EDF(10), Contracting/Procurement/Bus. Marketing(5), Workforce (2), Utilities(1), Permits(2)
Finance	Q2FY12	Q1FY12	Comments
Revolving loans - applications reviewed	1	4	
Revolving loans - loans made	0	0	
EDF transactions	2	3	Supernova, Cosmos ID
Agricultural Reserve	FY10		Comments
Acres of land under easements inspected	4705		Latest available as data lags a year
Acres acquired under easments	154		
Workforce/Business Services	Q2FY12	Q1FY11	
# of unique businesses served	144	137	
# of employer forums	7	11	
# of employer recruitments	13	14	
# of job fairs	1	0	



Wrap-Up and Follow-Up Items

